

A DIRE RESULT OF TARIFF REDUCTION

How One Industry Suffered from a Mere Reduction of Two and One-half Per Cent.

Certain leaders of free trade sentiment in Canada have endeavored to create feeling against the manufacturer by accusing him of using the present tariff as a means of undue enrichment, and have sought to show that manufacturing is not in any particular need of protection in this country. Not only are such allegations wholly devoid of fact, but there is indisputable evidence to prove that a protective tariff is still essential to the industrial welfare of the Dominion, and that the withdrawal of protection has been the immediate and inevitable cause of business disasters.

A conspicuous example is afforded in the downfall of several flourishing branches of the Canadian leather industry, following the passing of the Albany Treaty of March, 1910. This treaty, it will be recalled, consisted of a series of apparently trifling reductions in the Canadian tariff, by means of which we were able to buy President Taft off from applying to importations from this country the maximum schedule of the new Payne-Aldrich tariff. Among other concessions agreed to was a reduction of 2 1-2 per cent. in the duty on upper and fine leathers, bringing it down from 17 1-2 per cent. to 15 per cent. Trifling as it may seem, this small reduction has dealt a staggering blow to the Canadian leather industry, and has forced at least six progressive concerns, employing upwards of 500 skilled mechanics in the aggregate, to close down the upper and fine leather departments of their tanneries, and to surrender the field to their American competitors.

"How is it possible," most people will ask, "that so small a change could be followed by such serious results?" The answer to this question involves a story that makes real interesting reading, and that throws much valuable sidelight on the necessity for extreme caution and thorough investigation before making any tariff change, however inconsequential it may appear on the surface.

BOOSTING THE PRICE OF HIDES.

Some few years ago the multimillionaire packers of the United States—more generally known as the Beef Trust—decided among themselves that they were not getting enough for their hides, so they began advancing prices to the tanners. Naturally the tanners demurred, and said that if the prices were not retained at the old level they would purchase their hides elsewhere. The reply of the packers was characteristic of their doggedly determined way of doing business. "If you don't buy our hides at our prices," they said, "we will go into the tanning business ourselves and force you to the wall." The independent tanners refusing to capitulate, the packers proceeded to put their threat into execution, and straight-way there was started a movement in the leather trade, the effects of which are still felt in the shape of higher prices in every corner and hamlet of the North American Continent.

BEEF TRUST METHODS.

The first step in this direction was the erection of huge tanneries in connection with all the large abattoirs of the Beef Trust. The packers said: "We must get our price for hides, and if the independent tanner won't pay it, then subsidiary companies under our own control will. We don't care whether these subsidiary companies pay a dividend or not; so long as they pay us big prices for our hides we can let the profits of the Beef Trust make up for their losses."

But this was only a half-way measure, for the independent tanners were able to buy hides from smaller packers not in the Trust, and that, too, at prices which enabled them to operate at a profit. So the Beef Trust went a step farther; it established buying agencies in all those centres from which the independent tanners drew their supply and proceeded to bid prices up to what the subsidiary companies were paying them. "What does it matter," said the Trust, "if we do lose money for a time by buying hides at more than they are really worth? The profits of the meat business will more than make up for these losses, and as soon as we have forced the independents to close up we can buy up their plants at a few cents on the dollar, and then we will be in absolute control of the situation, and can charge what we like for leather."

And here is where market records, which may be looked up by anyone who is sufficiently interested, furnish convincing evidence of the pernicious activity of the Beef Trust. From 1890 to 1894 hides were quoted at from 3 to 5 cents per pound. Purchases were made from Armour & Co. of No. 1 packer cowhides at \$3.50 per cwt. in the nearly nineties. In 1894 the average price was \$4.95. But now the cattle kings enter the field, and their appearance is signalized by an immediate advance in prices. And so steady has that advance been, and so far has it been carried, that the hide which sold in 1894 for \$4.95 sold last year for \$15.50.

THE INEVITABLE HAPPENS.

In the face of this terrible onslaught from the packers, it was not to be expected that the independent tanners could long survive. One by one during these years of advancing prices they were forced into a corner, where some kind-hearted liquidator put them out of misery by turning their plants over to the Trust at a mere fraction of what they were worth. Merger followed merger in rapid succession until to-day their formidable array strikes terror to the Canadian tanner, who operates behind a tariff wall that affords him all too little protection.

Here are some of the gigantic amalgamations for whose benefit our tariff on upper and fine leathers was reduced 2 1-2 per cent. The American Hide and Leather Company of New York City is capitalized at \$35,000,000. It has absorbed E. C. Cottell & Co., Boston; Walker-Oakley Leather Co., Chicago; J. B. Wood & Co., Binghamton, N.Y.; E. F. Thompson & Co., Boston; J. P. Crane & Co., Woburn, Mass., and the hide and skin business of Jos. Hecht & Son, New York. This company is also said to control the Minsing Leather Co., Minsing, Mich., and Boston Rapids, Mich., as well as

having tanneries at Denvers, Mass., Lowell, Mass., Salem, Mass., Binghampton, N.Y., Boston Spay, N.Y., Rochester, N.Y., Buffalo, N. Y., Malone, N.Y., Manistee, Mich., Cheboygan, Mich., Detroit, Mich., Merrel, Wis., Cincinnati, Ohio, Columbus, Ohio, and Paterson, N.J.

The Central Leather Company of New York is another monster combine, having an authorized capital of \$80,000,000. This concern has absorbed and now operates 150 tanneries, and also controls the Union Tanning Company, which is connected with many tanneries, and owns extensive bark lands.

Swift & Company, the big Chicago house, is capitalized at \$75,000,000. They have become active tanners, carrying on the immense business at Lynn, Mass., under the name of the A. C. Lawrence Company, which makes a wide variety of fine leathers, patent and Goodyear welting. Other leather plants are operated at Harrisonburg, Va., Hazelwood, N.C., Newport, Tenn., and Welland, Tenn. Swifts also own a ranch of 300,000 acres in Texas, on which they have 25,000 head of cattle.

Armour & Co., and Nelson, Morris & Co., packers, also have their tanning interests. The former company has seven or eight large plants, and the latter firm has two finely equipped tanneries in Richwood, West Virginia, with a capacity each of 1,200 sides per day. The Nelson, Morris Company, in addition to their two tanneries in Virginia, have similar industries at Westover, Pa., at Salem, Mass., and the Vantassel concern in Dubois, Pa.

It needs no stretch of the imagination to realize that these veterans of industrial warfare, marshalled under the generalship of the Beef Trust, would regard the operation of wiping other businesses out of existence as mere child's play.

A FRIENDLY CONFERENCE.

Such was the situation when President Taft swung the maximum tariff club and summoned the Canadian Ministers to a friendly conference at Albany. No one will doubt for one moment that Mr. Fielding went to that conference prompted by a desire to save the country from impending disaster. He knew little or nothing of the propositions that would be submitted to him; he simply approached the negotiations with an open mind, ready to accept anything within reason which would protect the interests of Canadian exporters. And when President Taft suggested, among other things, that he should reduce the duty on upper and fine leathers by 2 1-2 per cent., it looked reasonable enough to him, as it might to any man who was not in the business and who knew nothing of the precarious situation confronting the leather trade. There is perhaps no one who will not give Mr. Fielding credit for the belief that the proposed reduction would not affect the Canadian manufacturers of this commodity, but that, on the contrary, it might result in some small benefits to the consumer. So the proposition was accepted and the reduction made effective.

And what was the result? In the fiscal year 1910 the Canadian imports of calf, kid or goat, lamb and sheep skins, dressed, waxed or glazed, from the United States, amounted to 195,054 pounds,

valued at \$184,493; in 1911, with the duty reduced from 17 1-2 to 15 per cent., the imports of the leather goods enumerated above amounted to 404,821 pounds, valued at \$341,832, an increase in one year of over 100 per cent. A proportionate increase occurred in dressed, waxed and glazed upper leathers, which, in 1910, came in from the United States to the extent of 151,236 pounds, as compared with 314,107 pounds in 1911. Following this loss of business, as effect follows cause, no less than six Canadian leather factories have been compelled to give up the fight, and their plants are now idle, if not actually dismantled.

DISASTROUS EFFECT OF REDUCTION.

Thus an apparently harmless concession of 2 1-2 per cent. to the United States on this class of leather goods has to date netted us a serious loss in industrial efficiency. Nor are there any compensating advantages in the way of reduced prices to the consumer to make up for this loss. On the contrary, the principal users of this class of leather—the boot and shoe manufacturers—have gone on record with the Government as strongly opposed to the reduction on the ground that it will wipe out the Canadian manufacturers, from whom they have hitherto drawn their supply, and leave them dependent on the Trust, which, sooner or later, will force them to pay higher prices. The country, therefore, has suffered a double loss, both manufacturer and consumer being seriously disadvantaged by what looked on the face of it to be a harmless change.

And what is the outlook for the Canadian leather industry today? Anyone who is familiar with trust tactics, as applied to the stifling of competition, in the United States, will not doubt for one moment but that the independent tanners of Canada will be viewed as legitimate prey, to be sacrificed to the voracious appetite of the Beef Trust the same as their American fellows have been.

This view is practically substantiated by one of the members of the Trust, who admits that he and his fellows have already cast covetous eyes upon this country. An English buyer in Boston not long ago was talking to one of these leather magnates, and the latter remarked in the course of his observations on the tariff situation, "If Canada would only reduce her duties 2 per cent. on all leather we would wipe the Canadian tanners out of business in a year."

CANADA HANDICAPPED.

Color is lent to this prediction when we consider the enormous production of leather in the United States. Her total exports of leather and manufactures of leather in 1910 amounted in value to more than \$50,000,000. This great volume of business is strengthened and buttressed on every side by enormous by-products which enable the parent industry to operate on the very smallest margin of profits. Besides making fine leathers and tanning hides, the packers of the United States manufacture, as side lines, glue, gelatine, oleo-stearine, tallow, butterine, sausage casings, fertilizers, soaps and numerous other chemical productions.

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